

**Montana Office of Public Instruction
Accounting for E-rate Payments by Vendors**

Are payments from vendors considered federal funds?

OPI considers these payments to be procurement contracts, and, therefore they are not federal funds subject to the A-133 Single Audit Act.

How do school districts account for these funds?

Payments received this year from E-rate vendors may be for last year or this year. Accounting for E-rate funds depends on the year to which the payment applies, as shown in the following examples:

1. Vendor refund received for the prior year

School districts may deposit vendor payments back to the fund from which the money was originally disbursed, the Technology Fund 28, or the Miscellaneous Program Fund 15. If the funds are deposited to Fund 28, the district must budget and spend the funds on technology as provided by 20-9-533, MCA.. If the district elects to use Fund 15, the district should establish a separate project and use the monies for any appropriate purpose.

Accounting Entry:

Debit: XXX-101 Cash

Credit: XXX-402 Revenue Control

Subsidiary Revenue Account

Credit: XXX-6100-XXX Prior Period Revenue Adjustment (add project reporter if deposited in Fund 15)
or if the amount is immaterial, use

Credit: XXX-1900-XXX Miscellaneous Revenue (add project reporter if deposited in Fund 15)

2. Vendor refund received for the current year

Refunds or rebates for purchases made in the current year should be receipted in the fund where money was originally disbursed and recorded as an expenditure abatement.

Accounting Entry:

Debit: XXX-101 Cash

Credit: XXX-802 Expenditure Control

Subsidiary Expenditure Account

Credit: XXX-XXX-XXXX-XXX Use the expenditure account where the original payment was made.

3. Routine and Year-End Purchases with E-rate Discounts

As an alternative to recording E-rate purchases as an expenditure and then recording vendor refunds as an expenditure abatement, schools are encouraged to use the following entries:

Accounting entry when purchase made:

Debit: XXX-802 Expenditure Control

Debit: XXX-190 Accounts Receivable (for the amount due from the vendor)

Credit: XXX-101 Cash

Subsidiary Expenditure Account

Debit: XXX-XXX-XXXX-XXX Only record an expenditure for the district's share of the purchase.

Accounting entry when school receives refund from a vendor:

Debit: XXX-101 Cash

Credit: XXX-190 Accounts Receivable

If you have any questions, contact Jim Oberembt at 444-1257 or email at joberembt@state.mt.us or Nancy Hall at 444-9852 or email at nhall@state.mt.us.

Montana Office of Public Instruction
Accounting for E-rate Credit Balance Held By Vendors

How should school districts account for credit balances held by vendors?

Option 1: Request a Refund

A school district may ask for a refund from vendors instead of carrying a credit balance. When the refund is received, follow the procedures discussed in the Accounting for E-rate Payments by Vendors on the previous page.

Option 2: Use the Credit by June 30

If the credit can be used by June 30, no special accounting procedures are necessary. For audit purposes, retain invoices to document use of the credit balance.

Option 3: Set up a "Prepaid Expense" Account and Use it Over Time

Instead of requesting a refund, a school district may record a Prepaid Expense and adjust the balance as the credit is used. School districts should determine if the credit balance was established for the prior year or the current year.

For example, assume a vendor owed the school district a \$1,500 refund for a district purchase made before June 30 and a \$2,700 refund for a purchase made in the current year. In the current year, the district uses the credits to purchase \$3,200 of additional equipment from the vendor.

1. Record the credit received from the vendor in lieu of a refund for the prior year :

Debit: XXX-240 Prepaid Expenses \$1,500

Credit: XXX-402 Revenue Control \$1,500

Subsidiary Revenue Account

Credit: XXX-6100- XXX Prior Period Revenue Adjustment

2. Record the credit received from the vendor in lieu of a refund for the current year:

Abate the expenditures for the current year. This entry should not result in a negative or credit balance in an expenditure account.

Debit: XXX-240 Prepaid Expenses \$2,700

Credit: XXX-802 Expenditure Control \$2,700

Subsidiary Expenditure Account

Credit: XXX-XXX-XXXX-XXX

Credit the account originally charged for E-rate expenditures for the current period up to \$2,700. The balance in the expenditure account must not be negative or a credit balance.

3. Record purchases as credit balance used:

Instead of writing a warrant for the amount charged for the month, use a journal voucher to record the amount charged and reduce the Prepaid Expense Account.

Debit XXX-802 Expenditure Control \$3,200

Credit: XXX-240 Prepaid Expenses \$3,200

Subsidiary Expenditure Account

Debit: XXX-XXX-XXXX-XXX

Record the amount of the credit used (i.e. the amount a warrant would have been written for had there not been a credit) in the appropriate account for E-rate expenditures.

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